Saskatchewan
Watershed
Authority

Annual Report 2002

Saskatchewan Watershed Authority

for the fiscal year ending
March 31, 2003

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Letter of Transmittal

Regina, Saskatchewan

The Honourable Linda Haverstock
Lieutenant Governor
Province of Saskatchewan

Your Honour:

I have the honour to submit herewith the annual report of the Saskatchewan Watershed Authority for the period ending March 31, 2003, including a financial statement for the year audited by the Authority's auditor, in a form approved by Treasury Board, all in accordance with *The Saskatchewan Watershed Authority Act.*

This report also includes activities from the former Saskatchewan Wetlands Conservation Corporation for the period April 1 to September 30, 2002. The Saskatchewan Wetlands Conservation Corporation was continued as the Saskatchewan Watershed Authority in accordance with *The Saskatchewan Watershed Authority Act,* effective October 1, 2002.

Respectfully submitted,

Buckley Belanger

Minister Responsible
Saskatchewan Watershed Authority

President's Message

The Honourable Buckley Belanger
Minister Responsible
Saskatchewan Watershed Authority

Sir:

I am pleased to provide this report on the accomplishments and activities of the newly created Saskatchewan Watershed Authority, for the year ending March 31, 2003, including the activities of the former Saskatchewan Wetland Conservation Corporation for the period April 1 to September 30, 2002.

A clean, healthy, secure and sustainable water supply is vital to the well being of our province, and will continue to be essential to Saskatchewan's future. The Saskatchewan Watershed Authority has been tasked to be the steward of Saskatchewan's water resources. The Authority brings resource management and stewardship functions together to focus efforts across all of our watersheds.

The last year has been one of significant transition. For staff, it meant a move from SaskWater or Saskatchewan Environment or the Saskatchewan Wetlands Conservation Corporation. Our employees brought with them the pride and professionalism of their former organizations. Their dedication will ensure that the Authority serves as an effective steward of Saskatchewan's water.

As the development and implementation of the Authority's strategic plan progresses, we will continue to work with all our partners to manage, protect and appropriately develop the province's water resources.

Stuart Kramer

Stuart Kramer

President
Saskatchewan Watershed Authority

A New Agency is Born—Background

The quality of Saskatchewan's water resources and the importance of managing those resources in a sustainable, safe and effective manner have never been a greater priority.

This was illustrated by events in Walkerton, Ontario and closer to home in North Battleford and other Saskatchewan communities, where precautionary drinking water advisories or emergency boil water orders were issued. It is critical that greater attention be paid to the province's water resources along the entire water cycle, from watershed to tap and back.

The North Battleford Water Inquiry clearly showed that water quality and quantity at any given location is affected by upstream activity. Just as it is impossible to manage the resource by focusing on only isolated points along the cycle, water resources can not be separated from other components of the ecosystem.

The province's *Long-term Safe Drinking Water Strategy* provides the vision of a sustainable, reliable, safe and clean supply of drinking water that is valued by the citizens of Saskatchewan.

The Strategy called for a comprehensive approach to water management that led to a significant re-organization and the October 1, 2002 creation of the Saskatchewan Watershed Authority.

Based on the Strategy, the primary additional role of the Saskatchewan Watershed Authority is source water protection. The Saskatchewan Wetlands Conservation Corporation was restructured as the Saskatchewan Watershed Authority and was integrated with staff working on watershed management activities from Saskatchewan Environment and personnel from SaskWater in water management, operations and corporate service areas.

Saskatchewan's Long-term Safe Drinking Water Strategy

Vision:

- A sustainable, reliable, safe and clean supply of drinking water that is valued by the citizens of Saskatchewan

Principles:

- The strategy is responsive to the needs of all citizens
- Human health is the primary concern
- Preventing risks to drinking water quality, including meeting the *National Drinking Water Quality Guidelines*, is a high priority
- Transparency and clear lines of accountability and responsibility
- Full-cost pricing for the supply of water
- Commitment to knowledge-based approach
- Partnership among all levels of government and citizens in developing and implementing water management solutions

Goals & Objectives:

Waterworks systems provide safe, clean and sustainable drinking water

- Waterworks staff are capable and well-trained
- Infrastructure produces water that meets the *National Drinking Water Quality Guidelines*
- Waterworks systems and operations are financially sustainable

The drinking water regulatory system is clear and effective

- Regulations are clear and ensure that health and drinking water quality will be protected
- Professional regulatory staff have access to the tools necessary to ensure compliance

Source waters are protected now and into the future

- Risks to source water quality are known
- Watersheds are protected, natural purification and protection processes are maximized and potential for contamination is minimized

Citizens and consumers trust and value their drinking water and the operations that produce it

- Citizens have meaningful access to information about the quality of their water
- Reduced consumption of water
- Consumers value quality water and are willing to pay for it
- Citizens and consumers trust the quality and reliability of their drinking water systems and are confident in the regulatory system

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Mandate

The Saskatchewan Watershed Authority's mandate is to manage and enhance the province's water and watershed resources for the environmental, economic and social benefit of citizens.

Legislative Responsibilities

The responsibilities of the Saskatchewan Watershed Authority are included in five pieces of legislation:

- *The Saskatchewan Watershed Authority Act;*
- *The Water Power Act;*
- *The Ground Water Conservation Act;*
- *The Conservation and Development Act; and*
- *The Watershed Associations Act.*

Vision

Excellence in watershed management that promotes safe, sustainable water supplies within healthy ecosystems.

Principles

In fulfilling the Authority's mandate and achieving its vision, the following principles guide our activities:

- **Source Water Protection** – Saskatchewan's ground and surface water supplies are protected from depletion and contamination;
- **Provincial Resource** – the province's water resources are managed for the benefit of the people of Saskatchewan;
- **Shared Responsibility** – wise management and use of water is an individual and collective responsibility;
- **Stewardship** – caring for our watersheds to sustain the natural processes on which life depends;
- **Partnership** – working co-operatively with citizens, stakeholders, other governments and First Nations;
- **Watershed/Ecosystem Approach** – decisions consider implications to the entire aquifer and/or watershed and recognize that all components in an ecosystem are closely linked and cannot be managed in isolation from one another;
- **Sustainable Development** – promote development and diversification which is environmentally, economically and socially sustainable;
- **Beneficial Practices** – the adoption of beneficial management practices that are based on good science
- **Empowerment** – staff are provided with the proper tools and authority to make decisions and take action within a policy framework.
- **Accountability** – staff are responsible for their work and accountable for their actions.

Major Activities

- Administer the allocation of water for all uses.
- Approve all water works excluding those related to municipal purposes.
- Regulate and control the flow of water (lake, river, reservoir or other bodies).
- Collect fees for the use of water or for any other service or activity.
- Promote the efficient use of water for environmental and socio-economic benefit.
- Maintain an inventory of the quantity and quality of ground and surface water.
- Administer the sharing of watercourses among provinces and the United States in accordance with interprovincial and international agreements.
- Administer legislation for the purpose of establishing legal entities to plan, develop or administer water and related land resources of a watershed.
- Undertake and co-ordinate watershed studies, research or investigations (water or land);
- Provide services to public, individuals or corporations.
- Facilitate development of watershed plans through comprehensive process of public consultation
- Build works for maintaining and enhancing the quality and availability of water.
- Provide grants for sustainable actions that maintain or enhance water quality.
- Provide grants to individuals and corporations to acquire land or undertake development that protects wetlands or other habitat essential to conservation.
- Provide grants for the purpose of channel clearing, erosion control and the development and maintenance of water control works.
- Co-ordinate implementation of waterfowl conservation programs pursuant to the North American Waterfowl Management Plan including preservation, management and development of breeding habitat; collection and disbursement of funds and reporting annually on activities under the Plan.
- Undertake programs and activities to increase public knowledge of the management of water resources, including the value and sustainability of wetlands.
- Enter into agreements and accept contributions for purposes of management and conservation of water, watersheds and related land resources.
- Prepare an evaluation on the state of watershed resources in the province.

Funding Resources

As a Crown Corporation, the Saskatchewan Watershed Authority relies on several revenue sources, including:

- grants from the province's General Revenue Fund;
- water rental charges through *The Water Power Act;*
- industrial water use charges;
- the Fish and Wildlife Development Fund; and
- contracts with non-government agencies and associations, and other sources.

Organizational Structure

The Saskatchewan Watershed Authority is a Treasury Board Crown Corporation headed by a President reporting to a Board chaired by the Deputy Minister of Saskatchewan Environment. The Corporation is responsible to the Minister of Environment.

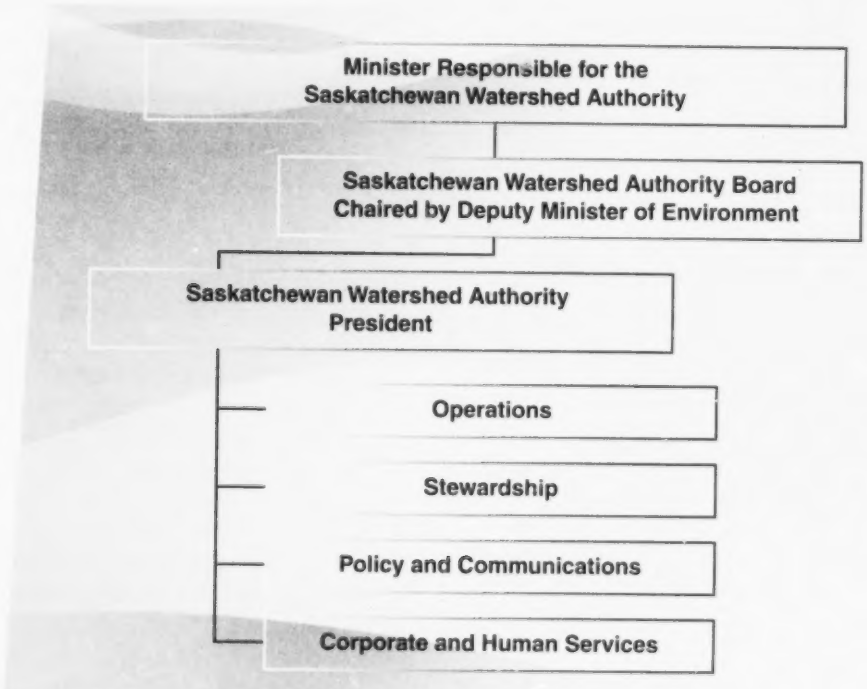
The creation of the Authority consolidated approximately 150 staff from SaskWater, 14 from Saskatchewan Environment and 35 from the Saskatchewan Wetlands Conservation Corporation into one agency dedicated to water management and source water protection.

Four units report to the President:

- Operations;
- Stewardship;
- Policy and Communications; and
- Corporate and Human Services.

The Corporate and Human Services Division also provides support for human resources, finance, administration, legal and information systems support to SaskWater on a contractual basis.

Figure 1 – **Organization by function**


Minister Responsible for the Saskatchewan Watershed Authority
Saskatchewan Watershed Authority Board Chaired by Deputy Minister of Environment
Saskatchewan Watershed Authority President
Operations
Stewardship
Policy and Communications
Corporate and Human Services

Strategic Planning Process

The Saskatchewan Watershed Authority is currently preparing a five-year strategic plan to achieve its mandate. The planning process is inclusive with involvement of staff from all divisions and consultation with various external agencies. The Authority expects to present the completed plan to its Board of Directors in late spring 2003. At the end of the fiscal year the vision, goals and objectives had been completed, but had not been finally approved by the Board or Saskatchewan Finance. Much of the work around actions and performance measures was also complete. These draft goals and objectives have been included as Appendix 1 to show the Authority's proposed future direction.

To ensure the Authority's plan is framed with an understanding of the needs and expectations of partners, the following organizations were consulted:

- Agriculture Producers Association of Saskatchewan;
- Ducks Unlimited Canada;
- Fisheries and Oceans Canada;
- Meewasin Valley Authority;
- Nature Conservancy of Canada;
- Nature Saskatchewan;
- New North;
- Partners for the Saskatchewan River Basin;
- Prairie Farm Rehabilitation Administration (Agriculture and Agri-Food Canada);
- Provincial Association of Resort Communities of Saskatchewan;
- Sask Eco Network;
- Saskatchewan Association of Rural Municipalities;
- Saskatchewan Conservation & Development Association;
- Saskatchewan Environment;
- Saskatchewan Government Relations and Aboriginal Affairs;
- Saskatchewan Petroleum Industry Government Environment Committee;
- Saskatchewan Prairie Conservation Action Plan;
- Saskatchewan Research Council;
- Saskatchewan Stock Growers Association;
- Saskatchewan Urban Municipalities Association;
- Saskatchewan Women's Agricultural Network;
- SaskPower.

Operations

In the first half of the fiscal year, SaskWater was the agency responsible for Operations activities. On October 1, 2002, responsibility for these activities was transferred to the Saskatchewan Watershed Authority. Activities prior to October 1, 2002 were reported in the SaskWater 2002 Annual Report.

Ground and Surface Water Investigations

Surface water — Drought conditions that had persisted since 2001 eased in the fall of 2002, as significant rainfall occurred through much of the grainbelt. Soil moisture conditions were generally fair to good in most of the grainbelt. However, an area bound by Lloydminster, Prince Albert and Cold Lake did not receive the fall precipitation. Soil moisture conditions in this area remained below normal.

Winter precipitation was near normal in most areas, allowing creeks and rivers to run in the spring of 2003. Water supply conditions for private homes and municipalities are generally in good condition across the southern part of the province.

Lake levels and river flows in the northern part of Saskatchewan were below normal in the fall of 2002. The winter snow pack was below normal, resulting in below normal flows and levels in the north for 2003.

Mountain snowpack for much of the winter of 2002-2003 was below normal. The Authority maintained Lake Diefenbaker at a higher than normal level through the winter to compensate for the reduced snowpack. With the spring precipitation and mountain runoff, Lake Diefenbaker is expected to reach its full supply level in 2003.

Groundwater — There was considerable public demand for groundwater information, with almost 700 requests handled in the last half of the year. Despite the high volume of requests, same day service was provided for the vast majority of enquiries. During this time, more then 300 groundwater regulatory enquiries were handled as well.

Groundwater resource reports — The Authority is continuing to collect data on the province's groundwater resources and has started consolidating the data into summary reports. The Authority also converted regional groundwater mapping information to a Geographical Information Systems format for a number of 1:250,000 National Topographic System map sheets.

Swan Lake Basin Management — The Authority participated in the development of a Basin Management Plan for the Swan River Basin. Initiated in 2001, the process is led by Manitoba. Provincial partners include Saskatchewan Environment and Saskatchewan Agriculture, Food and Rural Revitalization. The Authority is represented on a technical advisory group that is developing a comprehensive report based on public consultations held in 2002. The development of a Watershed Management Plan is expected in 2003. A possible outcome may be the establishment of a new Conservation District in Manitoba and an equivalent organization in Saskatchewan to implement the plan.

Last Mountain Lake Stewardship Group — The Authority provided guidance and technical advice to help establish a local Lake Stewardship Group at Last Mountain Lake. The group was formed in response to concerns about water quality in the lake. With the assistance of the Authority, the group has initiated a water quality monitoring program, and will develop initiatives to help lake users and stakeholders understand water quality issues and adopt best management practices around the lake and in the watershed.

Lake Stewardship Activities — The Authority helped co-ordinate two research projects. One, between the Stewards of Jackfish and Murray Lakes and the University of Saskatchewan, involved the cycling of phosphorous in the planktonic food webs of Jackfish and Murray Lakes. The other, between the Stewards and Environment Canada, collected and analyzed sediment samples in Jackfish and Murray Lakes to determine sediment nutrient loading and cycling over time. The Authority also helped organize monitoring programs for lake stewardship projects in the summer of 2003, and a stewardship workshop to be held in June, 2003.

Treaty Land Entitlement Activities — The Authority reviewed 77 land selections under the Treaty Land Entitlement Framework Agreement to identify water bodies, water development projects and other third party interests that must be dealt with before a reserve is created.

Water Pumping Equipment Rental Program — Saskatchewan Watershed Authority Regional Offices, on behalf of SaskWater, coordinated the rental of water pumping equipment. Power take-off pumps, aluminum pipe and pipe trailers are available for rent to individuals, communities and industry for the transfer of water and wastewater. Between October 1, 2002 and March 31, 2003, the Authority co-ordinated 338 pump jobs.

Water Inquiry Line — A toll free inquiry line (1-866-SASK H20) was established in June, 2002 to help the public obtain answers to water-related questions. During the reporting period 258 calls were received on issues including water quality testing, water treatment and water pumping.

Infrastructure Management

Water Management Infrastructure and Dam Safety Programs — The Saskatchewan Watershed Authority is responsible for the operation and maintenance of 45 dams, approximately 130 kilometres of conveyance channels, and other water management infrastructure throughout the province. These works provide essential water management functions including water for municipal and industrial use, irrigation, hydroelectric power generation, flood control, wildlife and recreation. The principal water management works are the Gardiner, Qu'Appelle, Rafferty and Alameda Dams. The current estimated replacement cost of the Authority's infrastructure is $1.27 billion. The most significant facilities are shown in Figure 2.

Figure 2 — **Water Management Infrastructure**

1. Alameda Dam and Associated Facilities;
2. Avonlea Dam;
3. Boundary to Rafferty Diversion Channel;
4. Blackstrap North Dam;
5. Blackstrap South Dam;
6. Bradwell East Dam;
7. Bradwell West Dam;
8. Brightwater Creek Dam;
9. Broderick East Dam;
10. Broderick West Dam;
11. Buffalo Pound Dam;
12. Candle Lake Control Structure;
13. Chicken Lake Dam;
14. Cowan Lake Dam;
15. Darmody Dam;
16. Dellwood Brook Dam;
17. Emma Lake Diversion (Anglin Lake Pump Station);
18. Esterhazy Dam;
19. Five Mile Dam;
20. Gardiner Dam;
21. Hugonard Dam;
22. Katepwa Lake Control Structures;
23. Kingsway Dam;
24. Kipahagan Dam;
25. Lac la Plonge Control Structure;
26. Lac la Ronge Control Structure;
27. Lumsden Floodway;
28. Makwa Lake Control Structure;
29. Moose Mountain Dam;
30. Northminster Effluent Reservoir;
31. Opuntia Lake Dam;
32. Pike Lake Pump Station;
33. Qu'Appelle River Dam;
34. Qu'Appelle River Conveyance Channels;
35. Rafferty Dam;
36. Rafferty - Causeway 606;
37. Rafferty - Causeway 705;
38. Rafferty Closure Dam R3-2;
39. Rafferty Closure Dam R4-1;
40. Round (Sinfield) Lake Control Structure;
41. Scott Dam;
42. Souris River Conveyance Channels;
43. Spruce River Dam;
44. Star City Dam;
45. Stelcam Weir;
46. Summercove Dam;
47. Teepee Creek Dam;
48. Theodore Dam;
49. Wascana Lake Weir;
50. West Poplar Dam;
51. Woody Lake Weir; and
52. Zelma Dam.

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Since October 1, 2002, the Saskatchewan Watershed Authority spent more than $2 million to upgrade dams to meet current dam safety standards. Expenses were incurred for project rehabilitation and dam safety investigations, design and construction activities. Some of the significant activities are:

Gardiner and Qu'Appelle Dams — The Authority is responsible for the operation and maintenance of the Gardiner and Qu'Appelle Dams which impound Lake Diefenbaker along the South Saskatchewan River. By volume of earthfill, Gardiner Dam is ranked the largest in Canada and the ninth largest in the world. In addition to being a major recreation site, Lake Diefenbaker provides a quality source of water for approximately 45 percent of Saskatchewan residents. Water is also stored for hydroelectric power generation through the Coteau Creek power station, as well as for reuse by Nipawin and E.B. Campbell power generation stations downstream on the Saskatchewan River. Lake Diefenbaker is the supply source for a number of irrigation projects, seven potash mines and various other major Saskatchewan industries.

Given the importance of these works, and need to ensure the highest level of safety, the Authority monitors their performance year round. Since October 1, 2002, the Authority spent approximately $384,000 on project surveillance, operation, physical maintenance and rehabilitation activities. During this period, an engineering consultant was hired to complete a design and safety assessment of the eleven radial spillway gates at Gardiner Dam.

Rafferty and Alameda Projects — The Authority is responsible for the Rafferty and Alameda Dams, the closure dams near Mainprize Park, Causeway No. 606 and 705, the Boundary to Rafferty Diversion Channel, the Souris River channel improvements and the wetland project (duck pond) below Rafferty Dam, as well as the administration of the land adjacent to the reservoirs. The Authority operates, maintains and monitors the performance of the dams and related projects as an integrated management system. Rafferty and Alameda Reservoirs enable Saskatchewan to conserve its share of Souris River basin flows for the benefit of residents. The annual cost of the operation and maintenance responsibilities for these projects typically averages $450,000. Since October 1, 2002, incurred expenditures were $148,911.

In addition to ongoing operation and maintenance needs, significant rehabilitation work was undertaken at Rafferty Dam and initiated at Alameda Dam. Since completion of its construction in 1992, consolidation of the fill and the foundation of Rafferty Dam had reduced its freeboard by up to 0.7 m below the design value. In mid-September a contract was awarded to restore the project freeboard along with allowance for anticipated future settlement. This work which included approximately 28,950 cubic metres of excavation, 6,550 cubic metres of compacted fill, and 1,100 cubic metres of installed gabions was completed in mid-November at an approximate cost of $600,000.

In follow-up to the investigation and design of repairs needed at the low level outlet gates at Alameda Dam in 2001 and 2002, replacement equipment was acquired and repairs were initiated in early 2003. The repairs are anticipated to be complete by early summer 2003 at an estimated cost of approximately $510,000.

Avonlea Dam — Work continued with the upgrading needs at Avonlea Dam. In August 2002, the construction of a new service spillway was completed. This spillway has a capacity approximately 2.5 times greater than the former works. In the fall of 2002, the former service spillway was converted into a riparian outlet at an approximate cost of $473,000. This work was preparatory to the proposed raising and strengthening of the embankment dam scheduled for the summer and fall of 2003. With the completion of this work, the safety of residents and others downstream of the dam will be much improved, as will the security of water supplies to users including the Town of Avonlea, the Redthorpe Rural Pipeline Utility, Dunnet Regional Park, Long Creek Golf Club and the Avonlea Irrigation District.

Round Lake —The Authority owns and operates an outlet control structure on Round Lake (north of Kelvington) to support recreation and wildlife in the area. Area residents asked the Saskatchewan Watershed Authority to raise the full supply level of the lake. In the winter of 2003 documents were prepared to obtain landowners consent to flood additional lands around the lake. It is anticipated the control structure will be operated in 2003 to facilitate the raised lake level.

Other Infrastructure Rehabilitation Activities — In the limited construction season after October 1, 2002, the Authority undertook project rehabilitation work at the following projects:

- Stelcam Weir;
- Pike Lake Pump Station;
- West Poplar Dam; and
- Cowan Lake Dam.

Project investigations and designs were also initiated at:

- Cowan Lake Dam;
- Katepwa Weir;
- Blackstrap North Dam;
- Blackstrap South Dam; and
- Moose Mountain Dam.

Water Control Programs

Water Control Projects — The Saskatchewan Watershed Authority provides administrative, investigative and technical services to Conservation and Development Area Authorities and Watershed Associations for a variety of water and flood control projects. The main program helps to alleviate flooding and drainage problems associated with agricultural lands. Assistance is available to advance soil and water conservation and stabilize the levels of existing lakes through locally sponsored and co-ordinated projects.

Maintenance — Technical and financial assistance is provided to Conservation and Development Area Authorities and Watershed Associations to support the maintenance and operation of locally owned water and flood control projects. Assistance is available for weed and brush control, maintenance or replacement of water control structures and crossings, and the removal of silt and other obstructions. During the reporting period, more than $324,000 was provided to 55 local governments.

Channel Clearing — Assistance is provided to Rural Municipalities, Conservation and Development Area Authorities and Watershed Associations to support the removal of trees, brush, deadfall and other obstructions which cause flooding and erosion problems to roads and adjacent lands. During the reporting period 14 local governments were provided more than $51,000.

Tiny East Extension Project — Design and project management services were provided to the Buchanan Conservation and Development Area Authority for the Tiny East Extension Project. The project included the construction of 8.2 kilometres of channel conveyance improvements, and represented the third and final phase of the Tiny East Project. These improvements will benefit local producers by providing for the timely removal of spring runoff, and provide flood protection in the event of excessive summer rainfall events.

Carrot River West Flood Control Project (South Lateral) — Technical and financial assistance was provided to the Moose Range Conservation and Development Area Authority near Carrot River, to start construction of 9.4 kilometres of channel, associated structures and dykes. The project was tendered in September and construction started in October. Construction progressed until seasonal freeze up in the late fall with approximately 40 percent being completed. This work will be completed in spring 2003. The Authority is sharing in the cost of the approximately $220,000 project.

Jansen Lake Stabilization Project — Project management, site engineering services and financial assistance were provided to the Rural Municipality of Leroy for the construction of improvements to the outlet of Jansen Lake. The project included the installation of a fixed crest, steel sheet pile and rock weir at the outlet of the lake, approximately 3.4 kilometres of channel conveyance improvements, and installation of culverts through a rural municipality roadway. This work will significantly reduce flood impacts to lands surrounding Jansen Lake. The Authority shared the approximate $43,000 capital cost of the work with the Rural Municipality.

Rowatt Flood Control Project — The Authority worked with the Sherwood Conservation and Development Area Authority near Regina, to determine the feasibility of developing the remaining phases of the Rowatt flood control project. The project is intended to address flooding problems south of Regina that affect agricultural land, farm yards and businesses. Construction of phase one was completed in fall 2001. A preliminary design for future phases of the project was drafted to help the Sherwood Conservation and Development Area Authority prepare a environmental project proposal to seek the necessary approvals, and complete the final design for the remaining phases of the project.

Knox-Lakeview Flood Control Project — The Authority worked with the Souris Conservation and Development Area Authority near Milestone, to help determine the feasibility of developing the Knox-Lakeview flood control project. The project is intended to mitigate flooding of agricultural land. The project proposal is unique in that it would create several permanent wetlands to enhance waterfowl production, and incorporate measures to protect the fisheries in the Souris River. An environmental project proposal was completed and sent to Saskatchewan Environment's Environmental Protection Policy and Assessment Branch for review. Project information will be provided to the Area Authority if they decide to develop the project.

Wakaw Lake Weir — Wakaw Lake is located northeast of the Town of Wakaw. Since the 1930s, local groups have considered the need to construct a weir in the outlet channel in order to stabilize and raise the lake level. For the past couple of years, the province has provided technical support and information to the Rural Municipality of Hoodoo, Town of Wakaw, the Resort Village of Wakaw Lake and the property owners of Wakaw Lake to help them determine the feasibility of proceeding with a weir. A decision was made to install a rock weir before spring runoff. The weir was substantially completed by the end of March while the lake was still covered by ice.

Drain Classification Project — The Authority worked with Fisheries and Oceans Canada to provide as-built location, construction and maintenance information on Conservation and Development Area Authority and Watershed Association drains. The information will help Fisheries and Oceans Canada classify drains and develop best management practices for future maintenance activities.

Paid Conservation Easement Pilot Program — The Authority partnered with Ducks Unlimited and Saskatchewan Environment in a pilot project to offer paid conservation easements to landowners within a targeted area of the Upper Assiniboine River Basin. Although no easements were secured during the reporting period, it is anticipated there will be some in the coming year. Results from the pilot program will be used to guide the direction of future programs aimed at conserving wetlands and stream corridors.

Regulatory

The Saskatchewan Watershed Authority regulates development that affects our water resources. Land drainage, and surface and ground water use, are regulated by *The Saskatchewan Watershed Authority Act*. The regulation of works helps ensure that projects do not cause damage to others. The Authority allocates water resources for municipal, industrial, irrigation and other uses by issuing Water Rights, and approving the construction and operation of works to control the diversion of water. Regulating the use of water ensures approvals are given only to those developments where there is adequate supply of water and where the development will not harm the interests of other users.

Water Disputes — The Saskatchewan Watershed Authority Act allows a person to file a complaint with the Authority against drainage works that cause or are anticipated to cause damage. This is a less expensive and time-consuming alternative to traditional legal processes. While decisions and orders rendered by the Authority under the Act may be appealed to the Water Appeal Board, the process has generally proven to be an effective way of resolving water disputes. From October 1, 2002 to March 31, 2003, 9 new formal complaints were received and 19 complaints were resolved. The Saskatchewan Watershed Authority is required to conduct formal hearings, if requested by one of the parties to the dispute. During the reporting period, 4 formal hearings were conducted.

Figure 3 — **Permits and approvals**

	Surface Water	***Groundwater***
Approval to construct works issued	25	7
Water Rights issued	67	54
Approvals authorizing private domestic dams	2	na
Temporary water use permits	498	na
Groundwater investigation permits	na	28

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Stewardship

In the first half of the fiscal year, most Stewardship activities were conducted under the auspices of the Saskatchewan Wetland Conservation Corporation. On October 1, 2002, responsibility for these activities was transferred to the Saskatchewan Watershed Authority. The following activities are reported for the entire 2002 - 2003 reporting year.

Watershed and Aquifer Planning

An adequate supply of good quality water is a valued and valuable commodity. Addressing activities that threaten water supplies is critical to the future use of this precious resource.

The Saskatchewan Watershed Authority is developing a model to deliver watershed and aquifer planning throughout Saskatchewan. The model will focus on both water quantity and quality, and will be guided by five key principles:

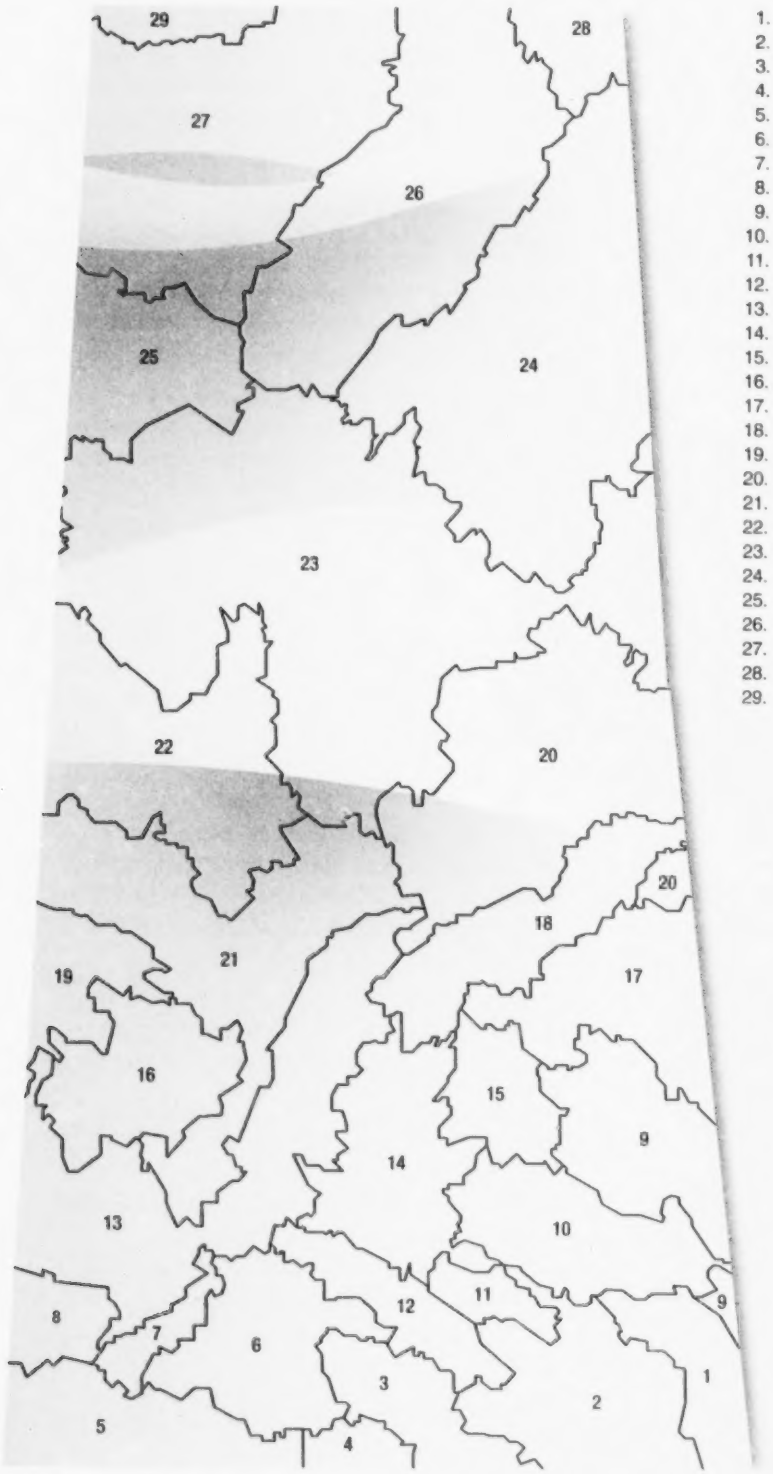
- planning will be delivered on a watershed basis;
- stakeholders will be actively involved in all phases of the process;
- there will be strong consideration for the needs of the ecosystem;
- both stewardship and development solutions to challenges will be considered; and
- the activities of the Authority will be undertaken in accordance with the watershed or aquifer management plan.

Saskatchewan has twenty-nine watersheds *(figure 4)*. The model will strongly focus on the implementation of solutions that involve residents and governments sharing responsibility for watershed management.

Through the development of the model, watershed planning with local stakeholders has been under way in some areas:

- The Authority has worked with stakeholders in southeast Saskatchewan to develop an environmental scan and identify issues for a background report. Work will continue with this group to develop a management plan.
- The Authority has assisted residents of the Moose Jaw River watershed to set objectives, examine issues and evaluate activities that address source water protection.
- Efforts are under way to begin working with local groups in other watersheds and aquifers.

Figure 4 — **Saskatchewan Watersheds**



1. Lower Souris River
2. Upper Souris River
3. Big Muddy Creek
4. Poplar River
5. Milk River
6. Old Wives Lake
7. Swift Current Creek
8. Cypress Hills North Slope
9. Assiniboine River
10. Lower Qu'Appelle River
11. Wascana Creek
12. Moose Jaw River
13. South Saskatchewan River
14. Upper Qu'Appelle River
15. Quill Lakes
16. Eagle Creek
17. Lake Winnipegosis
18. Carrot River
19. Battle River
20. Saskatchewan River
21. North Saskatchewan River
22. Beaver River
23. Churchill River
24. Reindeer River/Wollaston Lake
25. Athabasca River
26. Black Lake
27. Lake Athabasca
28. Kasba Lake
29. Tazin River

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28. Kasba Lake
29. Tazin River

Prairie Stewardship Program

The Streambank Stewardship and Native Prairie Stewardship programs were merged into the Prairie Stewardship Program to provide a clearer focus for project work. Volunteer participants of the previous programs continue to be involved in the consolidated initiative.

The goals and objectives of the original programs serve as the guiding principles for the new program. These goals are:

- to increase awareness of the importance, value and function of riparian ecosystems and encourage stewardship of riparian areas through a comprehensive approach targeted at landowners, government agencies and other interested organizations; and
- to identify and conserve the remaining native grassland in Saskatchewan by raising awareness of the value of native prairie, and by promoting management techniques that will sustain this resource for future generations.

The Prairie Stewardship Program encourages landowners to enter into voluntary stewardship agreements and helps them implement enhancement projects and demonstration sites.

In the past 12 months, 271 new stewards signed agreements to manage about 98,000 acres (39,660 hectares) of native prairie habitat, and repaired more than 120 miles (193 kilometres) of critical stream banks and 6,530 acres (2,645 hectares) of wetlands.

In total, 1,090 voluntary stewards are enrolled in the program, representing 445,000 acres (180,000 hectares) of native prairie, 172 miles (277 kilometres) of streams and 12,100 acres (4,896 hectares) of wetlands. These activities enhance and protect native habitat and water quality, and increase biodiversity in these areas.

Program activities during the reporting period included:

- producing and distributing three issues of the Prairie Update newsletter profiling demonstration site landowners;
- distributing 20 Landowner Success Stories to weekly newspapers and agricultural publications profiling landowners who are implementing best management practices;
- producing eight native grassland fact sheets that were also posted on the website www.swa.ca;
- establishing 66 demonstration projects in cooperation with landowners, involving 15,300 acres (6,191 hectares) of native prairie, 12 miles (19 kilometres) of streams, and 820 acres (332 hectares) of wetlands. These projects served as workshop and field tour sites, and showcased best management practices;
- posting demonstration project information on targeted areas including the Upper Assiniboine, Frenchman River, Qu'Appelle River, Wood River Watersheds, and the Missouri Coteau on the website;
- providing information and training for extension staff and landowners by working with other agencies to deliver 27 workshops and field tours, attracting 570 people;
- conducting 147 in-person visits to contact another 195 landowners;
- increasing public awareness by advertising field days and demonstration site functions in appropriate media, and acknowledging the contribution of landowners participating in the program in a series of weekly newspaper ads;

- updating the corporate display for use at trade shows throughout the province including the Western Canada Farm Progress Show and the Canadian Western Agribition, and the annual meetings of large stakeholder groups;
- producing and distributing a pamphlet on the loggerhead shrike, providing basic information on the identification, habitat, and biology of the bird; and
- preparing a Directory of Saskatchewan Conservation Programs that will be posted on the Authority's web site and the web site of the Saskatchewan Network of Watershed Stewards.

North American Waterfowl Management Plan

The North American Waterfowl Management Plan is an agreement among Canada, the United States and Mexico to restore waterfowl populations and improve habitat for other wetland dependent wildlife. In the last 17 years, partners have contributed $827 million to secure and enhance 4.4 million acres (1.8 million hectares) of waterfowl habitat in Canada.

The goals of this international joint venture are to:

- encourage sustainable land use practices on private and public land;
- improve habitat through provision of upland nesting cover and retention of small wetland complexes; and
- identify, protect and manage wetlands important for all migratory birds.

Twelve Habitat Joint Ventures have been established across Canada to help facilitate activities in key waterfowl habitat areas. Saskatchewan, Alberta, and Manitoba belong to the Prairie Habitat Joint Venture.

The Saskatchewan Watershed Authority coordinates North American Waterfowl Management Plan activities and delivers the Prairie Shores Program in Saskatchewan. Other programs are delivered by Ducks Unlimited Canada (Large Wetlands and Nest Structure programs), Saskatchewan Environment (Waterfowl Crop Damage Prevention Program), and the Saskatchewan Crop Insurance Corporation (Crop Damage Compensation Program).

The Waterfowl Crop Damage Prevention Program establishes feeding stations and lure crops to reduce waterfowl damage to crops located near large marshes.

Funding for the program is provided through the federal/provincial Crop Damage Prevention Agreement. Last year, $250,000 was spent on waterfowl damage prevention in Saskatchewan, including feeding stations and waterfowl scare cannons. The province provided half of this funding. In addition, the Crop Damage Compensation Program paid approximately $3 million to Saskatchewan farmers for crop losses caused by feeding wildfowl.

In the past year, Ducks Unlimited, as one of the major partners, secured 94,000 acres of land through purchase or through long-term leases, easements or other agreements. Land management agreements ranging from seven to 21 years are negotiated with landowners to modify agricultural land use to the benefit of both agriculture and wildlife, particularly migratory birds.

Partners also participated in several research and demonstration projects on carbon sequestration, timothy production, variety development, weed control, rangeland stewardship, grazing clubs and forage management. More than 32,000 new acres were enrolled in forage programs during 2002.

Ducks Unlimited demonstrates planned grazing systems to convert cultivated lands to pasture and to improve the quality of existing pasture for duck nesting and other wildlife benefits. Assistance is provided to producers for forage conversion, fencing, solar pumps, forage inventory and the establishment of grazing schedules. The Rangeland Stewardship Program promotes the sustainable use of native rangeland for the benefit of agriculture, waterfowl and other wildlife.

Prairie Shores Program

The Prairie Shores Program focuses on breeding waterfowl, but there are direct benefits for threatened and endangered species, shorebirds, grassland birds and colonial water birds as well

The program encourages sustainable land use that benefits people and wildlife.

During the year, shoreline, rangeland and Piping Plover habitat assessments were completed on Willowbunch, Big Muddy, Fife and Chaplin Lakes in the Missouri Coteau, and on all basins in the Manitou-Reflex area. These assessments increased understanding of habitat requirements, and how bird populations are influenced by agriculture and habitat conservation programs. Information from these assessments was used in the development of Conservation Site Plans to guide current and future habitat enhancement activities. For example, the conversion of cropland to tame pasture or hay land provides breeding habitat for grassland birds, but it was not known whether the productivity of grassland birds in these lands was comparable to that in native prairie.

Grassland bird nests were located and monitored on a total of 18 hay land, tame pasture and native pasture sites in the Missouri Coteau. Monitoring showed that high priority grassland birds nested at higher densities and were more productive in native pasture than in either tame pasture or hay land. Therefore, although tame pasture and hay land provide productive habitat for more grassland birds than cropland, conservation of native prairie is critical for high priority grassland birds.

EcoTourism

The Saskatchewan Watershed Authority continues to work with communities on projects which will secure habitat for migratory birds, and assist rural communities in sustainable community development.

In 2002, work continued with the Chaplin Tourism Association to develop and expand their Nature Centre and birding site. Located along the TransCanada Highway between Moose Jaw and Swift Current, Chaplin is a Western Hemisphere Reserve Network designated site, and is an anchor in the province's growing ecotourism business.

As part of a collaborative effort, staff worked with the Chaplin and Quill Lakes Tourism Committees to develop a Saskatchewan Bird Trail program and produce a draft Birding Trail Guide Book.

Prairie Water Care

Prairie Water Care is a volunteer water-monitoring program designed to increase public awareness of the factors affecting water quality. Increasing awareness is the first step in creating healthier watersheds.

There are now 13 groups of volunteers, including 4-H members, cottage owners, students and landowners who are working to improve the health of their watersheds. Each group monitors up to four sites along their creek or lake on a monthly basis. Eight health parameters are monitored including phosphate and nitrate levels, and fecal coliform content. Macro-invertebrates in the water are collected and identified at some sites.

In addition, riparian health assessments that examined vegetation presence, soil composition and hydrology were completed at three sites to help determine the overall health of Saskatchewan's water bodies.

During the last year, three new groups joined the Prairie Water Care program and three more expressed interest in joining. Six groups have conducted monitoring activities for five years, and one group held an initial meeting to explore forming a watershed stewardship group, reflecting the strong volunteer commitment to the value of water care.

Several initiatives were undertaken to promote and enhance the Prairie Water Care program. A new brochure provides an overview of the program and key contact telephone numbers. A technical training binder that includes information on the water testing equipment, macro-invertebrate identification, and riparian health was developed for the monitoring groups. Water testing training sessions were held at Beaver Creek, Moose Jaw, and Crescent Creek. Two riparian assessment sessions were held at Lac Pelletier and Moosomin Lake.

As well, all Prairie Water Care groups were invited to a workshop in Moose Jaw to learn more about riparian health, and government regulations on water use and shoreline alterations.

The 13 existing Prairie Water Care monitoring groups are:

- Beaver Creek;
- Crescent Creek;
- Crescent Creek Downstream;
- Saskatoon Catholic School (Eagle Creek);
- Goodspirit Lake;
- Laura Multiple 4-H Club (Eagle Creek);
- Lake Peltier;
- Moosomin Lake;
- Jackfish/Murray Lake;
- Swift Current Creek;
- Swift Current Creek Downstream;
- The Pas, Manitoba (Carrot River); and
- Wakamaw Valley Authority (Moose Jaw River).

Moose Jaw River Watershed Stewardship Initiative

The Saskatchewan Watershed Authority is working to build a Moose Jaw River Watershed Stewardship Association. A total of 44 local agencies have been contacted about participation. Two public meetings generated media coverage and resulted in 40 people participating in the initiative.

The Authority is coordinating three demonstration projects to promote best management practices in the Moose Jaw River Watershed.

The Authority also collaborated with Ducks Unlimited and Saskatchewan Agriculture, Food and Rural Revitalization to hold a grazing management workshop in Chaplin, and livestock watering systems and water quality workshops in Parkbeg and Avonlea.

Rural Water Quality Advisory Program

The Saskatchewan Watershed Authority delivers the Rural Water Quality Advisory Program that has, for many years, improved the quality and safety of individual water supplies in rural Saskatchewan. The Authority samples and analyzes water from private rural water supplies, and advises on the health and aesthetic implications of the analysis. Thorough advice is provided on the most cost effective water treatment process appropriate to a specific water supply. Advice is also provided on beneficial management practices proven to protect and improve raw well or surface source water. In 2002, 550 clients across rural Saskatchewan received this service, bringing the program total to 2027 clients served since the program's inception in 1997.

Appendix 1:

Draft Goals and Objectives for the Saskatchewan Watershed Authority Strategic Plan

Goal 1: Effective Water Management

Objectives:

- Water management infrastructure is safe and effective
- A safe and sustainable water supply
- Increase the Authority's knowledge of the quality, quantity and distribution of water supplies
- Minimize flood damage potential

Goal 2: Healthy Watersheds

Objectives:

- Regularly evaluate the state of the watersheds
- Source water protection through watershed and aquifer plans
- Watersheds are protected through natural purification and protection processes are maximized and the potential for contamination is minimized
- Public understands the importance of healthy watersheds and aquifers

Goal 3: Proud, Integrated and Responsive Authority

Objectives:

- Appropriate legislation, policies and programs for the Authority's mandate
- Build, integrate and retain the Authority's collective expertise

Financial Statements

for the fiscal year ending
March 31, 2003

Management's Responsibility for Financial Reporting

Management has prepared the financial statements of the Authority in accordance with generally accepted accounting principles for government organizations. The financial data included elsewhere in this report is consistent with the financial statements and the underlying information from which the Authority prepared these financial statements.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Authority maintains appropriate systems of internal controls, policies and procedures. These systems provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Authority.

Meyers Norris Penny LLP, the Authority's external auditors, have examined the March 31, 2003 financial statements and their report follows.

The Board of Directors of Saskatchewan Watershed Authority has examined and approved the statements.

On behalf of the Authority,

Stuart Kramer

Stuart Kramer
President

May 30, 2003

Auditors' Report

To the Members of the Legislative Assembly

Province of Saskatchewan

We have audited the statement of financial position of Saskatchewan Watershed Authority as at March 31, 2003 and the statements of revenue, expenditures and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Saskatchewan Watershed Authority as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for government.

The financial statements as at and for the year ended March 31, 2002, were audited by other auditors who expressed an opinion without reservation on these statements in their report dated June 3, 2002.

Meyers Norris Penny LLP

Regina, Saskatchewan

May 30, 2003, *except as to note 16*
which is as of July 10, 2003

Chartered Accountants

Statement of Financial Position

STATEMENT 1

As at March 31

	2003	2002 (note 12)
	(Thousands of Dollars)	
FINANCIAL ASSETS		
Cash	$ 269	$ –
Accounts receivable	4,352	1,328
Prepaid expenditures and supplies	136	14
	4,757	1,342
LIABILITIES		
Bank indebtedness	–	650
Accounts payable	2,007	304
Deferred revenue (note 5)	1,182	90
Deferred funding (note 6)	294	–
Other long-term obligations (note 7)	573	–
	4,056	1,044
NET ASSETS	**$ 701**	**$ 298**

Commitments and contingencies (note 10)

See accompanying notes

On behalf of the Board: Director

Statement of Revenue, Expenditures and Net Assets

STATEMENT 2

Year ended March 31

	BUDGET (note 15)	2003	2002 (note 12)
		(Thousands of Dollars)	
REVENUE			
Government of Saskatchewan			
— General Revenue Fund	$ 3,905	$ 4,364	$ 589
— Fish and Wildlife Development Fund	503	786	163
Water revenue	4,825	5,255	–
Contract revenue (Schedule 1)	1,856	1,975	1,619
Other	495	737	68
	11,584	13,117	2,439
EXPENDITURES (Schedule 2)			
Operations	4,944	5,513	–
Water management	1,408	2,130	–
Grants to clients (note 8)	1,248	1,540	366
Water management infrastructure	2,571	2,012	–
Stewardship	2,033	1,466	2,082
Interest	50	53	–
	12,254	12,714	2,448
Surplus (deficit) for the year	(670)	403	(9)
Net assets – beginning of year	298	298	307
Net assets – end of year	**$ (372)**	**$ 701**	**$ 298**

See accompanying notes

Statement of Cash Flows

STATEMENT 3

As at March 31

	2003	2002 (note 12)
	(Thousands of Dollars)	
CASH PROVIDED BY (USED IN)		
Operating activities		
Surplus (deficit) for the year	$ 403	$ (9)
Items not affecting cash:		
Transfer of capital assets from SaskWater	325	–
Net change in non-cash balances relating to operations:		
Accounts receivable and prepaids	(130)	(168)
Accounts payable and long-term obligations	363	(18)
Deferred revenue	(42)	(76)
	919	(271)
Financing activities		
Net (decrease) increase in bank indebtedness	(650)	271
Change in cash during the year	269	–
Cash – beginning of year	–	–
Cash – end of year	$ 269	$ –

See accompanying notes

Notes to the Financial Statements

March 31, 2003

1. STATUS OF THE SASKATCHEWAN WATERSHED AUTHORITY

The Saskatchewan Watershed Authority (the Authority) was established on October 1, 2002, under the authority of *The Saskatchewan Watershed Authority Act*. The Authority is a Treasury Board Crown corporation within the meaning of *The Crown Corporations Act, 1993*. The Authority is a continuing corporation of the Saskatchewan Wetland Conservation Corporation, established by Order in Council 29/90 dated January 10, 1990.

In accordance with the provisions of *The Saskatchewan Watershed Authority Act*, the Authority's general powers and purposes are to manage, administer, develop, control and protect the water, watersheds and related land resources of Saskatchewan and to promote the economical and efficient use, distribution and conservation of the water, watersheds and related land resources.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared using Canadian generally accepted accounting principles appropriate for the public sector. The expenditure basis of accounting is used for presentation. These statements include certain estimates based on management's judgment. These estimates affect the reported amounts of assets, liabilities, revenue and expenditures. The following accounting principles are considered to be significant:

Tangible Capital Assets

Tangible capital assets are recorded as expenditures during the year of purchase. Charges for amortization are calculated at the following annual rates:

Tangible Capital Assets	*Method*	*Rate*
Buildings	straight-line	2.5% to 5%
Maintenance equipment	diminishing balance or straight-line, as appropriate	20% to 30%
Office equipment	straight-line	10% to 30%
Water infrastructure	straight-line	2.5%

Grants from the General Revenue Fund

Under the authority of Section 26 of *The Saskatchewan Watershed Authority Act*, the Authority receives grants from the General Revenue Fund out of monies appropriated by the legislature. These grants are recorded as revenue when received and are used to fund grant programs, water management infrastructure rehabilitation expenditures and operations.

Revenue Recognition

Contractual revenue received by the Authority from third parties for specific purposes is recognized as revenue in the year in which the related expenditures are incurred. Other contractual revenues are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Grants to Clients
Grants provided to clients for a variety of programs are recorded as an expenditure to the Authority if the final approval for the grant payment was made during the year. Where the Authority enters into contractual agreements for project construction under various assistance programs, expenditures are accounted for on an accrual basis.

Post Retirement Benefits Other Than Pension
The Authority administers a benefit relating to a retirement allowance which is paid to eligible employees upon retirement. The Authority has adopted the accrual method of accounting for this benefit whereby the cost of providing the benefits is recorded when the related services of employees are performed.

3. TRANSFER OF WATER MANAGEMENT ACTIVITIES

On October 1, 2002, the Saskatchewan Water Corporation transferred involvement in water management activities to the Saskatchewan Watershed Authority. These activities include the operations, maintenance and rehabilitation of provincially-owned water infrastructure including dams and conveyance channels, as well as the hydrometric, forecasting and regulatory functions of the Corporation.

Effective this date, assets and liabilities relating to these activities were transferred to the Authority at their net book value. The difference in the value of the assets and liabilities transferred resulted in a net receivable in Saskatchewan Watershed Authority accounts.

A summary of these transfers is as follows:

	(Thousands of Dollars)
Assets	$3,055
Liabilities	3,343

This transaction created a net receivable in the Authority's accounts of $288,000. Water infrastructure assets were transferred at no cost.

4. CHANGE IN ACCOUNTING POLICY

Public Sector Accounting Board (PSAB) provides guidance on accounting policies and financial statement presentation for public sector organizations. Since the proclamation of the new legislation, effective October 1, 2002, and considering the mandate of Saskatchewan Watershed Authority which is primarily that of program delivery related to water management and stewardship activities, the Authority has adopted the PSAB recommendations.

As a result, the Authority changed its accounting policy for the recording of tangible capital assets. The Authority now records expenditures on tangible capital assets as part of program expenditures. Total tangible capital assets are disclosed in note 9.

The change in accounting policy has been applied retroactively and the 2002 financial results have been restated. The effect of this accounting policy is that the tangible capital assets and amortization costs are no longer reported on the statements of financial position and revenue, expenditures and net assets. Any additions of capital assets are recorded as an expenditure.

5. DEFERRED REVENUE

At year-end, the Authority has received funding for various projects but has not yet completed the projects. The balance that remains in deferred revenue represents the depredation fund established for the Souris Basin project to deal with wildlife and waterfowl depredation prevention and compensation.

	(Thousands of Dollars)
Balance, beginning of year	$ 90
Contractual revenues received	64
Transferred from SaskWater	1,134
Amortization of revenue	(106)
	$ 1,182

6. PUBLIC POLICY EXPENDITURES AND DEFERRED FUNDING

As an agency of the Government of the Province of Saskatchewan, the Authority incurs expenditures for various physical works for which it retains ownership. A public policy expenditure is recorded when such works do not directly produce sufficient revenue to finance their costs.

These expenditures relate to the Souris Basin project. Construction costs of this project were funded by the General Revenue Fund, the U.S. Government and Saskatchewan Power Corporation. Amounts received in excess of expenditures incurred are recorded as deferred funding.

	2003	*2002*
	(Thousands of Dollars)	
Balance, date of transfer of water management activities	$ 294	$ –
Expenditures	–	–
Balance, end of year	$ 294	$ –

7. OTHER LONG-TERM OBLIGATIONS

The retirement allowance, which is an unfunded employee benefit, is discounted at an interest rate of 5.50%. The amount of allowances disbursed in the year were $8,900.

8. GRANTS TO CLIENTS

Included in expenditures are grants or assistance provided to various persons and organizations to carry out a variety of programs administered by the Authority. In addition, where the condition of financial assistance for certain programs requires the Authority to provide engineering or technical services, an allocation of salaries to grant expenditure is made. Particulars of these grants, including salary allocation of $304,300, by program, are as follows:

	2003	*2002*
	(Thousands of Dollars)	
Flood Control & Drainage	$ 708	$ –
Water Quality	184	–
Stewardship	648	366
	$ 1,540	$ 366

9. TANGIBLE CAPITAL ASSETS

With the transfer of the water management activities from Saskatchewan Water Corporation, the Authority received $325,000 of buildings and leasehold improvements as well as certain maintenance and office equipment. The Authority also received a significant investment in other tangible capital assets. These other tangible capital assets consist of approximately 45 dams and 130 kilometres of conveyance channels to manage the provincial surface water resources. The historical cost of these water infrastructure tangible capital assets is not readily available. Consequently, management has estimated the approximate cost of these assets using the discounted replacement cost method by considering the nature of the facility, its age, and the average inflation rate since initial construction. In applying this best estimate, management has necessarily made assumptions regarding the replacement cost of each facility, the useful life and the depreciable portion of the facilities. The resultant estimated discounted replacement cost has been used to record these tangible capital assets transferred from Saskatchewan Water Corporation in the table below.

Tangible capital assets are recorded as expenditures in the year acquired and are not included in the Statement of Financial Position.

	Land	*Buildings & Leaseholds*	*Maintenance Equipment*	*Office Equipment*	*Water Infrastructure*	*2003 Total*	*2002 Total*
						(Thousands of Dollars)	
Cost of Tangible Capital Assets							
Opening Cost	$ 5,155	$ –	$ 105	$ 116	$ –	$ 5,376	$ 5,351
Disposals	–	–	–	–	–	–	(3)
Additions during this year	–	34	24	95	2,012	2,165	28
Transfers from SaskWater	–	73	171	81	256,000	256,325	–
Closing Cost	5,155	107	300	292	258,012	263,866	5,376
Accumulated Amortization							
Opening Accumulated Amortization	–	–	78	76	–	154	135
Less: Accumulated Amortization on Disposals	–	–	–	–	–	–	–
Add: Amortization	–	4	31	35	3,100	3,170	19
Closing Accumulated Amortization	–	4	109	111	3,100	3,324	154
Net Carrying Amount of Tangible Capital Assets	$ 5,155	$ 103	$ 191	$ 181	$254,912	$260,542	$5,222

10. COMMITMENTS AND CONTINGENCIES

Contractual Commitments

As of March 31, 2003, the Authority has outstanding commitments of $1,220,700 for construction contracts, consulting agreements, and land owner agreements.

Leases

The Authority has entered into various operating lease agreements with the following minimum lease payments:

	(Thousands of Dollars)
2004	$ 859
2005	789
2006	640
2007	565
2008	565
2009 and thereafter	282
	$ 3,700

Litigation

The Authority is party to a number of lawsuits and has provided for these claims in its accounts in accordance with management's best estimates and the advice received from legal counsel. The Authority intends to account for any differences which may arise, between amounts provided and amounts expended, in the period in which the claims are resolved.

11. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Authority by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end, are as follows:

	2003	*2002*
	(Thousands of Dollars)	
Water, contract and other revenue	$ 7,450	$ 740
Expenditures	1,436	306
Accounts receivable	3,109	1
Accounts payable and accrued liabilities	369	23

Other amounts and transactions due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

12. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year's presentation. The 2002 figures are those reported by the Saskatchewan Wetland Conservation Corporation (SWCC), while the 2003 figures reflect the operations of SWCC for six months (April - September, 2002) plus those of the Authority, as at October 1, 2002, which are comprised of the operations of the former SWCC plus the additional water management activities transferred from Saskatchewan Water Corporation.

13. FINANCIAL INSTRUMENTS

The Authority's recognized financial instruments consist of cash, accounts receivable and accounts payable.

Credit Risk

The Authority is exposed to credit risk from the potential default of customers. However, approximately one-half of the Authority's accounts receivable are from related parties, other government corporations and agencies.

Fair Values

The fair values of accounts receivable and accounts payable approximate their carrying value due to the short-term nature of these instruments.

14. MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian public sector generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. With the adoption of public sector accounting principles, the Authority is now required to disclose its total tangible capital assets. As described in Note 9, measurement uncertainty exists as a result of the method and assumptions used to determine the estimated cost of the water infrastructure assets transferred from Saskatchewan Water Corporation. Changes to the underlying assumptions and estimates could have a material impact on the recorded amounts of these assets.

15. BUDGET FIGURES

The budget figures are presented for comparison purposes and have been reclassified to conform with the presentation of these financial statements.

16. SUBSEQUENT EVENT

Subsequent to the 2003 year end, the Authority received an adverse judgement regarding outstanding litigation in the approximate amount of $566,000. This amount has been accrued in these financial statements and has been recorded in accounts payable and operations expenditures.

Notes to the Financial Statements

March 31, 2003

Schedule 1 – Contract Revenue

	2003	2002
	(Thousands of Dollars)	
Canadian Wildlife Service	$ 250	$ 258
Environment Canada	557	457
Fisheries & Oceans Canada	123	49
Wildlife Habitat Canada	201	36
United States – Federal & State	323	325
Other	521	494
	$ 1,975	$ 1,619

Notes to the Financial Statements

March 31, 2003

Schedule 2 – Expenditures by Program

	Operations	*Water Management*	*Grants to Clients*	*Water Management Infrastructure*	*Stewardship*	*Interest*	*2003 Total*	*2002 Total*
								(Thousands of Dollars)
Salaries and benefits	$ 5,544	$ –	$ –	$ –	$ 189	$ –	$ 5,733	$ 1,129
Travel and other staff costs	289	86	36	35	173	–	619	189
Professional services	208	118	47	262	14	–	649	–
Office supplies	538	67	2	1	39	–	647	101
Materials	6	47	33	152	34	–	272	221
Contractual services	157	164	151	1,155	136	–	1,763	222
Cash grants	–	–	1,045	–	–	–	1,045	366
Salary allocations	(3,202)	1,624	304	423	797	–	(54)	–
Other expenses	1,973	24	(78)	(16)	84	53	2,040	220
Total	$ 5,513	$ 2,130	$ 1,540	$ 2,012	$ 1,466	$ 53	$ 12,714	$ 2,448

Notes

Notes

Saskatchewan
Watershed
Authority